

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 FEA-01 AGRE-00 CEA-01
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STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01
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FM AMEMBASSY BUCHAREST
TO SECSTATE WASHDC 5323
INFO USMISSION GENEVA
AMEMBASSY BRUSSELS
AMEMBASSY HELSINKI
AMEMBASSY MOSCOW
AMEMBASSY MOSCOW
AMEMBASSY BUDAPEST

C O N F I D E N T I A L BUCHAREST 6616

USEEC

E.O. 11652: GDS
TAGS: EEWT, ETRD, RO, GATT
SUBJECT: FINNISH-ROMANIAN FREE TRADE AGREEMENT AND ROMANIAN TARIFF

REF: A) STATE 065550 B) STATE 146401 (NOTAL) C) BUCHAREST 5206 (NOTA
L)
D) BUCHAREST 1670

1. SUMMARY. IN THE COURSE OF SEVERAL DISCUSSIONS WITH MFT OFFI-
CIALS, EMBOFFS REVIEWED DEPT'S CONCERNS AND POINTS CONTAINED IN
REFTEL A. GOR POSITION IS: A) FREE TRADE AGREEMENT (FTA) WITH
FINLAND WILL NOT BE CONCLUDED IN NEAR FUTURE, IF AT ALL; B) NEW
GOR TARIFF IS NON-DISCRIMINATORY AND BY ITSELF DOES NOT EXEMPT
PRODUCTS OF ANY COUNTRY FROM ROMANIAN IMPORT TARIFFS; C) ARTICLE I
PARAGRAPH 2 NEEDED TO PROVIDE FLEXIBILITY IN TRADE NEGOTIATIONS,
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ESPECIALLY IF ROMANIA ACCEPTED UNDER TERMS OF GATT PROTOCOL 16;
D) ARTICLE 6G ALLOWS FOR TEMPORARY DUTY-FREE IMPORT OF PRODUCTS
SUBSEQUENTLY EXPORTED IN SAME OR PROCESSED FORM. END SUMMARY.

2. IN SERIES OF MEETINGS WITH MFT DIRECTOR DUMITRESCU (AND
VARIOUS SUBORDINATES), EMBOFFS HAD LENGTHY DISCUSSION OF POSSIBLE
FINNISH-ROMANIAN FTA AND NEW ROMANIAN TARIFF. DEPT'S CONCERNS

AND POINTS CONTAINED IN REFTEL A WERE REVIEWED.

3. DUMITRESCU'S BASIC STARTING POINT WAS THAT NEW ROMANIAN IMPORT TARIFF IS NON-DISCRIMINATORY; BY ITSELF IT DOES NOT EXEMPT PRODUCTS OF ANY COUNTRY FROM IMPORT TARIFFS. HE ACKNOWLEDGED THAT NEW TARIFF SYSTEM PROVIDES GOR WITH FRAMEWORK NEEDED FOR ENTERING INTO FTA OR OF NEGOTIATING MUTUAL RECIPROCAL REDUCTIONS IN INDIVIDUAL IMPORT TARIFF RATES. DUMITRESCU STATED, HOWEVER, THAT TO PRESENT GOR HAS NOT CONCLUDED FTA WITH ANYONE ALTHOUGH FUTURE POSSIBILITY OF DOING SO DOES EXIST.

4. REGARDING PROPOSED FINNISH-ROMANIAN FTA, DUMITRESCU RELATED THAT TALKS WITH FINNS BEGAN FOUR YEARS AGO BUT NO AGREEMENT YET REACHED. HE ADDED THAT GOR DOES NOT FORESEE ONE BEING CONCLUDED IN NEAR FUTURE. ACCORDING TO DUMITRESCU, THERE ARE THREE BASIC REASONS FOR THIS: A) NO AGREEMENT HAS BEEN REACHED WITH FINLAND ON EXTENT OF RECIPROCAL CONCESSIONS, I.E., AREA OF COVERAGE--JUST INDUSTRIAL PRODUCTS OR ALSO TO INCLUDE AGRICULTURAL PRODUCTS; B) THROUGH FTA, FINLAND WANTS GUARANTEE THAT GOR IMPORTS FROM FINLAND WILL GROW. GOR REFUSES TO INCLUDE SUCH A CLAUSE IN PROPOSED FTA BECAUSE OF RELATIVELY HIGHER COST OF FINNISH PRODUCTS WHICH, BEFORE RECENT DEVALUATION OF FINNISH MARK, WERE OFTEN 20 PERCENT ABOVE COST OF SIMILAR PRODUCT FROM OTHER DEVELOPED COUNTRIES, E.G. FRG, AUSTRIA, U.S., FRANCE, JAPAN, ETC. ABOLITION OF IMPORT TARIFFS, AVERAGE INCIDENCE OF WHICH IN ROMANIA IS AROUND 10 PERCENT, WOULD STILL LEAVE FINNISH PRODUCTS MORE EXPENSIVE; C) FINNISH FTAS WITH

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HUNGARY, POLAND, ETC., HAVE NOT YET BEEN RECOGNIZED BY GATT. GOR POSITION IS THAT UNTIL GATT APPROVES OTHER FINNISH FTAS, ROMANIA DOES NOT WISH TO CONCLUDE FTA WITH FINLAND. FINLAND SHOULD FIRST RESOLVE QUESTION OF ITS OTHER FTAS WITH GATT AS ROMANIA DOES NOT WANT TO HAVE PROBLEMS ON THIS WITH U.S., JAPAN, ETC., GOR NOT NOW NEGOTIATING FTA WITH A COUNTRY BESIDES FINLAND.

5. CONCERNING ARTICLE I, PARAGRAPH 2, DUMITRESCU STATED THAT THIS PARAGRAPH HAS ALLOWED GOR TO MAKE APPLICATION IN GATT TO BE ACCEPTED UNDER TERMS OF PROTOCOL 16 (CURRENTLY ABOUT 17 DEVELOPING COUNTRIES ARE SO ACCEPTED, INCLUDING YUGOSLAVIA, BRAZIL, MEXICO, INDIA, GREECE AND TURKEY) BY WHICH GATT PERMITS THESE COUNTRIES

TO REDUCE IMPORT TARIFFS ON A RECIPROCAL BASIS AMONG THEMSELVES. GOR APPLICATION TO BE INCLUDED IN PROTOCOL 16 SUBMITTED IN APRIL. IN REGARD TO CEMA COUNTRIES, DUMITRESCU ALLEGES THAT THEY ARE NOT EXCEPTED FROM ROMANIAN IMPORT TARIFFS. ADDITIONALLY, SPECIFIC WORDING IN ARTICLE I, PARAGRAPH 2, QUOTE: . . . OR OTHER DUTIES HAVING AN EQUIVALENT EFFECT ON IMPORTS OF GOODS ORIGINATING IN THE SOCIALIST REPUBLIC OF ROMANIA, END QUOTE, WAS INCLUDED ACCORDING TO DUMITRESCU TO TAKE INTO ACCOUNT SYSTEM OF IMPORT

TAXES USED BY USSR. COMMENT: IN FEBRUARY, DUMITRESCU SANG A DIFFERENT TUNE TO US. THEN, HE SAID THAT THIS PARAGRAPH WAS INCLUDED BECAUSE OF GOR NEED FOR FLEXIBILITY IN BILATERAL TRADE TALKS AS THERE WAS WORLD TREND AWAY FROM BULTILATERAL TO BILATERAL TRADE.

6. ON ARTICLE 6G, DUMITRESCU CLAIMS THAT THIS IS MEANT TO COVER ITEMS IMPORTED FOR USE IN JOINT PRODUCTION (COOPERATION) PROJECT AND WHICH ARE TRANSFORMED OR INCORPORATED INTO PRODUCTS SUBSEQUENTLY EXPORTED FROM ROMANIA. DUMITRESCU GAVE EXAMPLE OF CONTROL DATA CORPORTATION JOINT VENTURE IN ROMANIA AS ONE OF COMPANIES WHICH BENEFITS FROM THIS PROVISION. DUMITRESCU FURTHER STATED THAT PRODUCTS IMPORTED FOR COOPERATION PROJECTS AND WHICH REMAINS IN ROMANIA WERE SUBJECT TO ROMANIAN IMPORT CONFIDENTIAL

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TARIFFS.

7. CONCERNING GATT-ROMANIAN WORKING PARTY, DUMITRESCU SAID GOR IS NOT IN A HURRY

TO HAVE ITS WORK CONCLUDED; UNTIL NOW GATT MEMBERS, INCLUDING THE U.S., HAVE RECOGNIZED CONFIRMITY OF ROMANIAN TARIFF TO GATT REGULATIONS, I.E., GATT BASICALLY ACCEPTS FACT THAT ROMANIAN TARIFF IS NON-DISCRIMINATORY ALTHOUGH THERE ARE SOME QUESTIONS AS TO WHETHER IT IS AN EFFECTIVE TURIFF FOR OTHER NON-MARKET COUNTRIES. GOR POSITION IS THAT THIS IS NOT TRUE AS NON-MARKET ECONOMIES ARE NOT MONOLITHS BUT ARE SUBJECT TO MODIFICATIONS. DUMITRESCU CRITICIZED SAEC REP (CALVAIN?) TO GATT WHOSE POSITION IS THAT IN GENERAL TARIFFS IN NON-MARKET ECONOMICS ARE NON-DETERMINANTS IN IMPORT EXCIDWONS. DUMITRESCU SAID U.S.'S MORE PATIENT "WAIT AND SEE" ATTITUDE IS MORE PRUDENT.

8. IN FEBRUARY 1977 MEETING WITH EMBOFFS, DUMITRESCU HAD SAID THAT PART OF RATIONALE FOR INTRODUCING NEW ROMANIAN IMPORT TARIFF LAW AND RATES WAS THAT LEVEL OF RATES ON VARIOUS ITEMS HAD RESULTED IN HIGH OPERATING COSTS FOR ROMANIAN INDUSTRY. STATE COMMITTEE ON PRICES HAD LOBBIED FOR NEW TARIFF ON BASIS IT NEEDED TO REDUCE EFFECTS OF WORLD INFLATION ON DOMESTIC ECONOMY. IN AUGUST, DUMITRESCU GAVE US MFT STUDY WHICH LISTS NUMBER OF ITEMS FOR WHICH TARIFF RATE CHANGED. RESULTS SHOW THAT TARIFF FOR 31 ITEMS INCREASED WHILE TARIFF FOR 163 ITEMS DECREASED. COPY OF STUDY BEING

POUCHED TO EB/EWT/CLARKE.
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Disposition Approved on Date:
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Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
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